

chapter

3

TEST A

Name	Perfect Score	Your Score
Identifying Terms and Concepts Related to Departmental Payroll	15 pts.	
Analyzing Payroll Transactions	10 pts.	
Completing Payroll Records; Journalizing Payroll Transactions	123 pts.	
Total	148 pts.	

Part One—Identifying Terms and Concepts Related to Departmental Payroll

Directions: Place a *T* for true or *F* for false in the Answers column to show whether each of the following statements is true or false.

Answers

- Overtime pay is paid for hours worked in excess of eight hours per day. The typical overtime rate is \$1.00 more than the regular hourly rate. 1. _____
- A business form used to record payroll information is called a payroll register. 2. _____
- A business must provide a yearly report to each employee showing the total salary earned and the total taxes withheld. 3. _____
- Electronic funds transfer eliminates the need for preparing payroll checks. Instead, each employee simply receives a statement of earnings and deductions. 4. _____
- The period covered by a salary payment is called a quarterly period. 5. _____
- If an employer's annual federal unemployment tax liability is greater than \$100.00, the employer makes quarterly payments. 6. _____
- In a departmental business, the total earnings are classified by department to provide better cost control. 7. _____
- Depositing payroll checks directly to an employee's checking or savings accounts in a specific bank is called an automatic check deposit. 8. _____
- The money paid for employee services is called payroll. 9. _____
- One employee earnings record is used each payroll period to detail the earnings of all employees. 10. _____
- In the standard tax payment schedule, a monthly schedule depositor for federal payroll taxes purposes is defined as an employer that paid \$50,000.00 or less in the previous four quarters. 11. _____
- Employers make periodic payments to the government for all payroll taxes withheld from employees, as well as for employer payroll taxes. 12. _____
- Employer payroll taxes include federal income tax, social security tax, Medicare tax, federal unemployment tax, and state unemployment tax. 13. _____
- A withholding allowance deduction reduces the amount of income tax withheld from an employee's earnings. 14. _____
- The only deductions that may be legally made from an employee's pay are those required by the federal, state, or local governments. 15. _____

Part Two—Analyzing Payroll Transactions

Directions: For each item below, select the choice that best completes the sentence. Print the letter identifying your choice in the Answers column.

Answers

1. Accumulated earnings on the employee earnings record are used to
a. show net pay to date
b. indicate when an employee raise is due
c. show total earnings for the quarter
d. indicate when the tax base has been reached 1. _____
2. Total sales for the previous month were \$32,684. Sales discounts were \$188 and sales returns and allowances were \$440. Roberta Franklin is paid a 1% commission on net sales. Her commission for the previous month amounted to
a. \$320.56
b. \$326.84
c. \$333.12
d. \$329.36 2. _____
3. When a special payroll account is used, the balance after all payroll checks have been cashed is
a. zero
b. the amount of payroll taxes due
c. the total amount of deductions
d. cannot be determined from the information given 3. _____
4. If employer payroll taxes are paid using the Electronic Federal Tax Payment System (EFTPS), the entry is recorded in the
a. general journal
b. payroll register
c. cash payments journal
d. electronic payments journal 4. _____
5. Employer payroll taxes for a specific pay period are recorded in the
a. cash payments journal
b. general journal
c. payroll register
d. employee's earnings record 5. _____
6. Current period earnings are \$550.00. Deductions for the payroll period are \$112.45. The previous period's accumulated earnings are \$12,862.44. The new accumulated earnings are
a. \$13,412.44
b. \$13,299.99
c. \$13,524.89
d. \$14,974.89 6. _____
7. The amount recorded in the Cash Credit column of the cash payments journal for the payment of a payroll equals
a. total earnings
b. net pay
c. departmental earnings
d. total salary expense 7. _____
8. Ross Wagner earns \$8.00 per hour for all hours worked up to 40 each week. He earns 1 1/2 his hourly rate for all hours worked in excess of 40 hours. He is paid biweekly. If Ross works 43 hours one week and 40 hours the next week, his total biweekly earnings are:
a. \$604
b. \$640
c. \$676
d. \$712 8. _____
9. In a payroll register, the net pay represents
a. total earnings
b. total earnings less total deductions
c. departmental earnings
d. total earnings less taxes withheld 9. _____
10. The accounting principle being applied when the same accounting procedures are used regardless of whether checks are issued to employees or automatic check deposit or electronic funds transfer is used for payroll is
a. Consistent Reporting
b. Materiality
c. Matching Expenses with Revenues
d. Historical Cost 10. _____

Part Three—Completing Payroll Records; Journalizing Payroll Transactions

ValRite sells model kits and electronic toys. A biweekly payroll system is used. Salesclerks and accounting employees are paid on an hourly basis and receive 1 1/2 times the hourly rate for all hours worked in excess of 40 hours in one week. Department supervisors are paid a biweekly salary and receive monthly commissions of 1% of net sales. Commissions are paid for the previous month in the first pay period of the current month.

Instructions:

1. Complete Denise Martinez's commissions record. Data from the accounting records for the month ended January 31 of the current year are below.

Model Kits Department:

sales on account	\$8,400.00
cash and credit card sales	\$9,300.00
sales discounts	\$210.00
sales returns and allowances	\$360.00

2. Use the *Employee Hours Worked Report* and the completed *Commissions Record* to complete the partial payroll register for the pay period ended January 31 and paid February 3. Use the following additional data to complete the payroll register.
 - a. Hourly rates and salaries:

Hasbee, Marilyn.	\$12.50 per hour
Martinez, Denise	\$1,200.00 biweekly salary
Watkins, Felix	\$14.00 per hour
 - b. Use the partial income tax withholding table provided to determine the amount of federal income tax to be withheld. Check the payroll register for employee marital status and the number of allowances taken.
 - c. A deduction of 5% for state income tax is to be made from each employee's total earnings.
 - d. Deductions of 6.2% for social security tax and 1.45% Medicare tax are to be made from each employee's total earnings.
 - e. All employees have health insurance, \$30.00, and dental insurance, \$10.00, deducted from their pay each biweekly pay period. Use *H* to indicate the health insurance deduction. Use *D* to indicate the dental insurance deduction.
3. Even though this is a partial payroll register, total, prove, and rule the amount columns to verify your work.
4. Complete Felix Watkins' employee's earnings record. A partial employee's earnings record for Mr. Watkins is provided. This pay period is the third of the first quarter of the current year. Accumulated earnings on January 17 are \$2,810.00.
5. Journalize the February 3 payroll payment on page 4 of the cash payments journal. The source document is Check No. 130.
6. Use the partial payroll taxes grid to calculate departmental payroll taxes. No employee's accumulated earnings are greater than the base of unemployment tax. Employer tax rates are social security tax, 6.2%; Medicare, 1.45%; federal unemployment, 0.8%; and state unemployment, 5.4%.
7. Journalize the employer payroll taxes on page 4 of a general journal. Use February 3 of the current year as the date. The source document is Memorandum No. 12.

SEMIMONTHLY PERIOD ENDED														January 31, 20--														PAYROLL REGISTER																																									
														1														2														3														4													
EMPLOYEE NO.		EMPLOYEE'S NAME		MARITAL STATUS		NO. OF ALLOWANCES		TOTAL HOURS		EARNINGS																																																											
										REGULAR				OVERTIME				COMMISSION				TOTAL																																															
1	4	Hasbee, Marilyn		S	1																							1																																									
2	1	Martinez, Denise		S	1																							2																																									
3	6	Watkins, Felix		S	2																							3																																									
4																												4																																									

EMPLOYEE HOURS WORKED REPORT							January 18 - January 31, 20--	
Name	ID No.	Department	Regular-1	Overtime-1	Regular-2	Overtime-2		
Hasbee, Marilyn	4	Model Kits	40	—	40	3		
Martinez, Denise	1	Model Kits	—	—	—	—		
Watkins, Felix	6	Electronic Toys	40	4	40	—		

SINGLE Persons—BIWEEKLY Payroll Period													
If the wages are—		And the number of withholding allowances claimed is—											
At least	But less than	0	1	2	3	4	5	6	7	8	9	10	
The amount of income tax to be withheld is—													
1,000	1,020	123	105	87	69	51	33	19	7	0	0	0	
1,020	1,040	126	108	90	72	54	36	21	9	0	0	0	
1,040	1,060	129	111	93	75	57	39	23	11	0	0	0	
1,060	1,080	132	114	96	78	60	42	25	13	1	0	0	
1,080	1,100	135	117	99	81	63	45	27	15	3	0	0	
1,100	1,120	138	120	102	84	66	48	30	17	5	0	0	
1,120	1,140	141	123	105	87	69	51	33	19	7	0	0	
1,140	1,160	144	126	108	90	72	54	36	21	9	0	0	
1,160	1,180	147	129	111	93	75	57	39	23	11	0	0	
1,180	1,200	150	132	114	96	78	60	42	25	13	2	0	
1,200	1,220	155	135	117	99	81	63	45	27	15	4	0	
1,220	1,240	160	138	120	102	84	66	48	30	17	6	0	
1,240	1,260	165	141	123	105	87	69	51	33	19	8	0	
1,260	1,280	170	144	126	108	90	72	54	36	21	10	0	
1,280	1,300	175	147	129	111	93	75	57	39	23	12	0	
1,300	1,320	180	150	132	114	96	78	60	42	25	14	2	
1,320	1,340	185	155	135	117	99	81	63	45	28	16	4	
1,340	1,360	190	160	138	120	102	84	66	48	31	18	6	
1,360	1,380	195	165	141	123	105	87	69	51	34	20	8	
1,380	1,400	200	170	144	126	108	90	72	54	37	22	10	

Name	
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[illegible]

COMMISSIONS RECORD			
EMPLOYEE NO. <u>1</u>	EMPLOYEE NAME <u>Denise Martinez</u>		
COMMISSION RATE <u>1%</u>	MONTH <u>January</u>	YEAR <u>20--</u>	
DEPT. <u>Model Kits</u>	REGULAR BIWEEKLY SALARY <u>\$1,200.00</u>		
<div style="margin-bottom: 10px;">Sales</div> <div style="display: flex; justify-content: space-between;"> <div style="width: 80%;">Sales on Account</div> <div style="width: 15%; text-align: right;">\$</div> <div style="width: 5%; border-bottom: 1px solid black;"></div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 80%;">Cash and Credit Card Sales.....</div> <div style="width: 15%; text-align: right;"></div> <div style="width: 5%; border-bottom: 1px solid black;"></div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 80%;">Total Sales.....</div> <div style="width: 15%; text-align: right;">\$</div> <div style="width: 5%; border-bottom: 1px solid black;"></div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 80%;">Less: Sales Discounts.....</div> <div style="width: 15%; text-align: right;">\$</div> <div style="width: 5%; border-bottom: 1px solid black;"></div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 80%;"> Less: Sales Returns and Allowances </div> <div style="width: 15%; text-align: right;"></div> <div style="width: 5%; border-bottom: 1px solid black;"></div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 80%;">Net Sales.....</div> <div style="width: 15%; text-align: right;">\$</div> <div style="width: 5%; border-bottom: 1px solid black;"></div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 80%;">times: Commission Rate</div> <div style="width: 15%; text-align: right;">X</div> <div style="width: 5%; border-bottom: 1px solid black;"></div> </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 80%;">equals: Commission on Net Sales</div> <div style="width: 15%; text-align: right;">\$</div> <div style="width: 5%; border-bottom: 3px double black;"></div> </div>			

PAYROLL TAXES GRID						
Department	Taxable Earnings	Social Security 6.2%	Medicare 1.45%	Federal Unemployment 0.8%	State Unemployment 5.4%	Total Department Payroll Tax
Model Kits						
Electronic Toys						
Totals						

